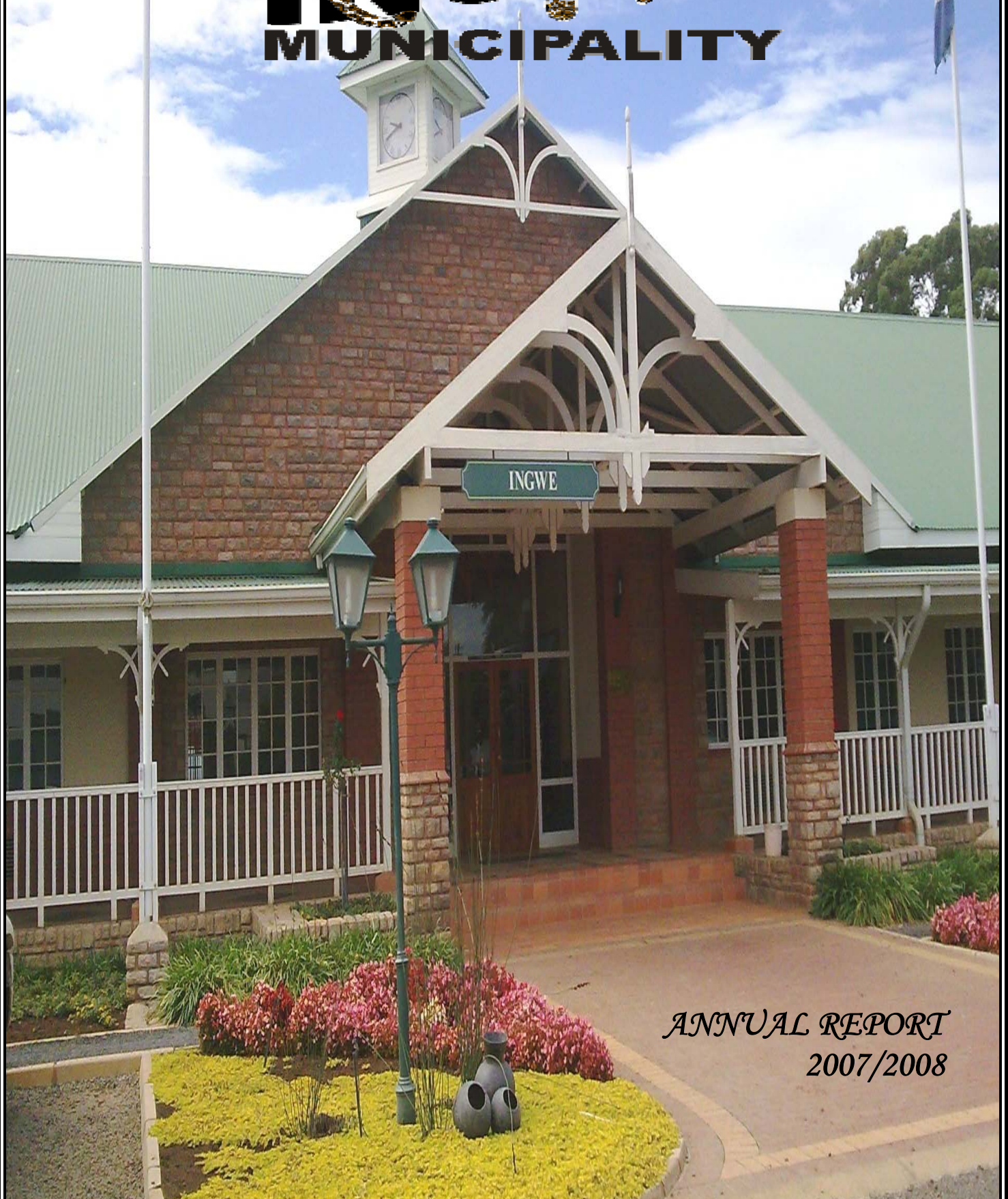




INGWE MUNICIPALITY



ANNUAL REPORT
2007/2008



MAYOR: MISS N.P. LUZULANE

Vision

BY 2020: INGWE PLANS TO BE A FINANCIALLY AND ECONOMICALLY VIABLE MUNICIPALITY ABLE TO PROVIDE SERVICES TO ITS COMMUNITIES IN AN EFFICIENT, EFFECTIVE, TRANSPARENT AND SUSTAINABLE MANNER. IT WILL SEEK TO ACHIEVE THIS BY STRENGTHENING THE UNIQUE SOCIAL, ECONOMIC AND ENVIRONMENTAL POTENTIAL OF THE LOCAL MUNICIPAL AREA WHILE PROTECTING THE NATURAL RESOURCE BASE FOR SUCCEEDING GENERATIONS.

Mission statement

INGWE's Mission Statement includes the following focus areas:

- Eradicate Basic Services Backlog
- Accelerate Housing Delivery to create Sustainable Human Settlements
- Rejuvenate the urban Economy through the Urban Renewal Programs
- Facilitate rural economic development through the promotion of SMME's
- Develop and Co-ordinate an Integrated Poverty Alleviation Programs that will include government departments and private sector.
- Provide Pro-Active combating mechanisms to deal with natural disaster.
- Create opportunities for small scale farmers
- Implement greater environmental awareness through the adoption of sustainable land practice
- Stamping out crime and lawlessness

Values

The focus areas of the Ingwe Municipality relate to the five Key Performance Areas as reflected in the 2007/8 IDP of the Municipality.

The Key Performance Areas are:

- Infrastructure and service delivery
- Good governance
- Municipal transformation and institutional development
- Municipal financial viability
- Local economic development

Principles & Goals

- Goal 1 – Eradicate extreme hunger and poverty
- Goal 2 – Achieve universal primary education
- Goal 3 – Promote gender equality and empower women
- Goal 4 – Reduce child mortality
- Goal 5 – Improve maternal health
- Goal 6 – Combat HIV/AIDS, and other diseases
- Goal 7 – Ensure environmental sustainability

The Ingwe Municipality continues to strive for the integration of areas with economic potential and those with high levels of household poverty. The approach to achieving this includes:

- Encouraging the expansion of existing economic activity in order to ensure that benefits also accrue to the poorer areas of the municipality;
- Ensuring improved access to infrastructure and services in previously disadvantaged areas thereby establishing an environment conducive to economic development;
- Supporting nodal development in the poorer regions of the municipality, ensuring that people can access a range of services within close proximity to their place of residence;
- Continuing to support the struggle for improved levels of education for all; and
- Developing corridors that improve access to services and opportunities.

Primary & Secondary Nodes

Bulwer, Creighton and Donnybrook were identified in the Ingwe IDP as primary nodes.

All of the above towns are important economic nodes and service centres providing key functions to the surrounding rural areas. While Creighton serves as the key administrative node, all three towns provide important commercial, industrial and community services to the surrounding areas.

All of the above towns are located on major transport routes linked by both road and rail.

Most of the rural settlements within Ingwe are classified as secondary service nodes where a range of service and economic activities could be concentrated in a sustainable way. A secondary node is usually located at an accessible location within an acceptable walking distance of a particular community. These services may be located at key road intersections, a clinic, store, tribal court or taxi rank.

Details of the municipality

Auditors	:	Internal Auditor, Sisonke and Auditor General
Bankers	:	First National Bank, Standard Bank
Legal representation	:	J Lesley Smith, Von Klempers, P XK and Associates, Skuares Attorneys
Municipal Grade	:	Grade 2 Category B
Registered Office	:	Main Street, P.O.Box 62, Creighton 3263
Contact Details	:	Telephone: 039-833 1038 Fax: 039-833 1179 Email:sineke.g@ingwemunicipality.co.za <u>Website: www.ingwemunicipality.co.za</u>

Details of the managers

Mr GM Sineke	Municipal Manager
Mr DL Smith	Corporate and Social development Manager
Mrs UP Mahlasela	Chief Financial Officer
Mr J Nyide	Infrastructure, Planning and Development Manager

Councillors

Miss NP Luzulane	Mayor, appointed in March 2008
Mr MW Mtolo	Deputy Mayor, appointed in March 2008
Mr ERS Sikhakhane	Speaker, appointed in March 2008
Mr SV Zulu	EXCO Member appointed in March 2008
Mr DR Ngcamu	EXCO Member, appointed in March 2006
Mr BP Malunga	Cllr, appointed in November 2008
Miss DP Zaca	Cllr, appointed in March 2006
Mrs Mncwabe BC	Cllr, appointed in March 2006
Mr MC Nzimande	Cllr, appointed in March 2006
Mr KS Madlala	Cllr, appointed in March 2006
Mr PZ Duma	Cllr, appointed in March 2006
Mrs MA Malunga	Cllr, appointed in March 2006
Mr ES Dlamini	Cllr, appointed in March 2006
Mr BL Nzimande	Cllr, appointed in March 2006
Mr MJ Mthembu	Cllr, appointed in March 2006
Mr HA Ngcobo	Cllr, appointed in March 2006
Mr BE Ngcobo	Cllr, appointed in June 2006
Miss BW Dlamini	Cllr, appointed in March 2006
Mr MA Dlamini	Cllr, appointed in march 2006
Mr FM Makhanya	Cllr, appointed in March 2006
Mr IM Miya	Cllr, appointed in March 2006, deceased in September 2008 and replaced by Cllr BP Malunga in November 2008

FOREWORD BY THE HONOURABLE

MAYOR – MS N.P.LUZULANE

It is a pleasure and a privilege for me as the Mayor to present this Annual Report of the Ingwe Municipality for the 2007/2008 financial year to the Council, the broader community as well as our many stakeholders and partners. The format and content of the Annual Report is largely prescribed by local government legislation, including a generic core of demographic and geographic information that is relatively consistent from year to year. However, the intention remains to provide an easily readable and summarized statement of Ingwe Municipality's progress towards the targets set in its over-arching Integrated Development Plan.

The achievement of service-delivery targets and deliverables is obviously also required to be viewed together with the municipality's financial performance and our compliance with the whole suite of municipal legislation. This report is therefore intended to attest to the collective efforts of the municipal administration and the Executive Committee to progressively address the expectations of our people.

We have endeavoured in our operations, to address the expectations of communities expressed in the Mayoral Izimbizo meetings as well as our annual consultative meetings with communities, where there is always a very strong emphasis on infrastructure – roads, housing, and refuse. Of course, these expectations also need to be balanced with the obligations of responsible governance that leave us little discretion in making the necessary provision for facilities like cemeteries, or addressing the cross-cutting challenge of HIV and AIDS as well. The above will then culminate into sound economic growth and stability within the municipal area of jurisdiction.

Notwithstanding the fact that our successes are real and measurable and that our achievements are a source of pride to us, it will of course remain true for some time to come that the challenges of poverty, underdevelopment and the historical legacy of

neglect will remain with us beyond the term of office of any elected office-bearer or management official.

We believe that this Annual Report highlights a large number of positives that exist at Ingwe Municipality that, viewed collectively, should give our people a sense of hope and optimism that we are serious about achieving our vision, sooner rather than later. I trust that every reader who studies this information from a balanced and fair perspective will concur with this impression.

I look forward together with my Executive Committee, the whole Council and the municipal administration, to continuing to work for the building of a transformed Ingwe Municipality in which our vision will be a practical reality. We are positive that the Municipality's future holds the promise of a better life for all who may wish to live and work here.

Thank You

Cllr NP Luzulane
Mayor of Ingwe Municipality

Overview by the Municipal Manager

The Municipal Finance Management Act, No 56 of 2003, section 127 states that the accounting officer of the municipality must within six months after the end of the financial year, or on such an earlier date submit annual report for the financial year under review to the council in a sitting. After adoption by Council the same report is thereafter submitted to the office of the Auditor General (section 126)

The purpose of this report is to promote accountability to community, stakeholders and private sector for the decisions made throughout the financial year by the municipality. Contents of this report include work done by the municipality in the 07/08 financial year. Also contained is Annual Performance Report which sets out performance targets against deliverables and achievements for the financial year. It also sets out the financial state of the municipality through financial statements, Auditor General's Report and the municipality's response to audit remarks.

Having assumed duty in April 2008, the municipality was in a state of emergency which required urgent fixing in terms of organizational structure. We now have fully fledged departments namely Finance, Corporate Services, Social Services, Infrastructure Services and the Office of the Municipal Manager. I am therefore proud to mention that changes made in respect of the Organogram have yielded positive results and bearing testimony to this is the Unqualified Audit report that we received for 07/08 financial year. This then implies that Ingwe Municipality adheres to the principles of good governance and sound financial management.

On behalf of Ingwe municipality administration, I would like to thank the staff, the community, private sector, and relevant stakeholders for playing part in ensuring that during a challenging 07/08 financial year, the municipality did not lose its way in terms of service delivery. Your input will forever be appreciated.

Kind Regards

Mr GM Sineke
Municipal Manager

• Overview of the municipality

The Ingwe Municipality, situated in southern KwaZulu-Natal province, has the demarcation code of KZN 431 (formerly KZ5a1) and is a Category B local municipality formed in terms of the Municipal Structures Act. Ingwe is one of the five local municipalities that make up Sisonke District. It is approximately 1970m² in extent, which makes it the third largest municipality within the district. It includes towns such as Creighton where its capital building is situated, Bulwer and Donnybrook. Ingonyama Trust land makes up a major part of the municipality and includes the following Traditional Council areas: Madzikane-Bhaca, Isibonela Esihle, Amakuze, Sizanani, Umacala-Gwala, Zashuke, Qadi, Bidla, Vukani, Amangwane, KwamaFuze and Vezakuhle traditional authorities. There are a large number of rural settlements located in the traditional areas as a result of Betterment Planning, which was, implemented in the 1950s'-1970s. It therefore forms part of the local government sphere of the South African democratic government system.

Its Municipal Council consists of twenty elected members and this is the decision-making body of the municipality

It is mainly a rural and agricultural (dairy, cattle-ranching and timber) area with an estimated population of some 120 000 people. It relies heavily on conditional and unconditional grants that are received from the provincial and the local government spheres to fund its operations.

Under apartheid there was systematic under-investment in municipal infrastructure in the so-called previously disadvantaged areas. This deprived people of access to basic services, including water, sanitation, refuse collection and roads. Developmental local government has to address this backlog. Its central mandate is to develop service delivery capacity to meet the basic needs of communities. Basic services enhance the quality of life of citizens, and increase their social and economic opportunities by promoting health and safety, facilitating access (to work, to education, to recreation) and stimulating new productive activities.

The demographic analysis notes that 81% of the population is rural, and 58% are under the age of 19. Eighty three percent of the adult populations have no secondary education and 10% have a Grade 12 and only 5% a post matric qualification. This poses significant challenges for managing the municipality and specifically growth of the economy in the municipality. The high levels of HIV and AIDS prevalence in Sisonke (26,2% infection rate) from ant-natal clinic test for 2006, although lower than the KZN average, will have major implications for the development of the municipality.

There is thus a major imperative to diversify the municipal economy. The trade and tourism sector has shown both good growth and job creation performance and requires further support from government through interventions to create an enabling environment for a competitive tourism sector. For example, the KwaSani local economy has shown a significant growth of 40% employment in the Wholesale, retail, catering & accommodation sector between 1995 and 2005, and a significant component of this is attributable directly to tourism. If Ingwe is able to emulate this, then growth in jobs will result.

• Activities of the municipality over the year

If 2007 was the year we “lost our way” as an institution then let me suggest that 2008 was the year Ingwe Municipality recovered its purpose and now we are again on the right track. We once won VUNA remember.

2007 ended with a suspended Municipal Manager and seriously divided political leadership. The result was a staff that lacked motivation and discipline even to the point where senior staff members abused their positions leading to dismissals.

In March 2008 Nomagugu Luzulane was deployed to Ingwe Municipality and took up her post as Mayor. She was joined on the EXCO by SV Zulu and Winneth Mtolo became the Deputy Mayor. This change aligned the political control which had far reaching and positive implications of a strong and defined mandate.

The next equally impacting appointment of Gamakhulu Ma-art Sineke as municipal Manager gave strong and decisive leadership direction to the municipality.

Joe Nyide was appointed as IPD Manager and Dudley Smith as Corporate & Social Services Manager. They together with Errol West the acting CFO and their various departments have wholeheartedly supported the Municipal Manager and EXCO to achieve this “turnaround” in fortune.

This achievement can be measured most appropriately by the “*unqualified audit*” received on the 1st December 2008, as well as the favourable 68% achieved on the assessment of the Municipal IDP earlier in the year, a marked improvement from the 48% in 2007.

• Major setbacks and achievements

Particularly in 2007 the municipality was been under considerable stress at the political and administrative levels resulting in underperformance and shortfalls in service delivery. This situation was stabilized from about April 2008.

The large balance of R24 259 814 in unexpended conditional government grant moneys would indicate a lack of spending and a concomitant lack of service delivery.

The achievements would be primarily the stabilization from about April 2008 as has already been mentioned.

In addition

- The Bulwer housing project is progressing well
- The amount of R1 140 000 for the Sisonke Stimela rail–tourism project was received towards the end of the 2007/08 in the financial year. Council has recently given the go-ahead for the project. (this contract is progressing well and is due to be completed in mid 2009)
- Phase 1 of the electrification of Emasameni was successfully completed in November 2007 and the funds of R4 100 000 have now been fully and properly utilized. A total of R5 800 000 was received during the 2007/08 year for Phase Two which is to get underway around September 2008. Phase Two is therefore on track.

• How is the municipality improving

The organogram has been filled with competent staff and service delivery is proceeding in a professional and efficient manner.

Mention needs to be made of the DBSA whose contribution in the Technical and Planning Departments is appreciated.

The establishment of the Corporate & Social Services Department in a separate office has worked well both for that department as well as freeing up office space in the main building.

The IDP is now driven by dedicated professional manager reporting directly to the Municipal Manager, this will result on an even more competent plan being developed for the Municipality.

The White Paper on the Development and Promotion of Tourism in KwaZulu Natal as well as the KwaZulu Natal Tourism Authority Annual Report was released at a Gala Function in Durban on 2nd December 2008.

It was encouraging to note that the matter of Rail Tourism and more specifically “The Rail Tourism Route between Pietermaritzburg, Creighton and Underberg” received mention in the Annual Report. In addition Rail Tourism is identified in the White Paper on the Development and promotion of Tourism in KwaZulu Natal.

Of particular importance in the white paper is the statement that “Tourism must be: ***Government led, private sector driven, and community based***”.

Ingwe Municipality shows a significant leadership in Tourism development in 2008

1. The Establishment of the Southern KwaZulu Natal Birding Route, including the Sisonke Birding Route and Marutswa Forest Boardwalk in Bulwer;
2. Sisonke Stimela contract awarded;
3. Centocow Accommodation and Eatery contract awarded;
4. Centocow CD completed;
5. Gqumeni Forest Intervention Plan;
6. Bhengu gallery Development Plan.

Municipal statistics

- **Area m2** 1970m2 in extent (199 000 hectares)
- **Number of households:** 21905 households
- **Population**

In 1996, the total population of Ingwe was estimated at 95151 people predominantly resident in rural Tribal areas with the balance located in the commercial farming and the rural towns. The 2001 census estimates that the total population of Ingwe Municipality is 107 569 individuals (i.e. 2.1% of the entire KwaZulu Natal Province) or 21 905 households who are spread unevenly among ten municipal wards. See Diagram 1 below.

DIAGRAM 1: POPULATION DISTRIBUTION IN THE WARDS OF INGWE

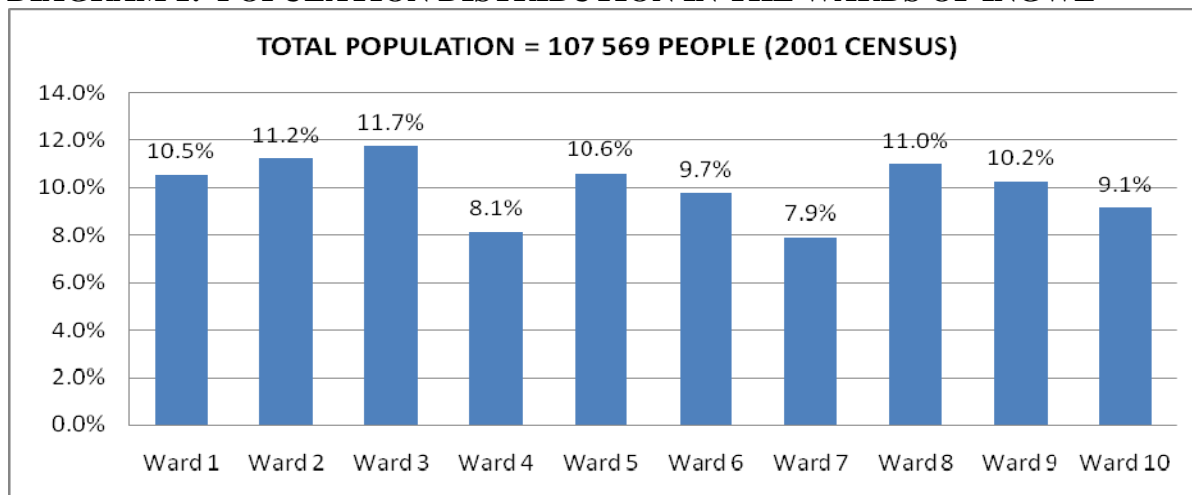
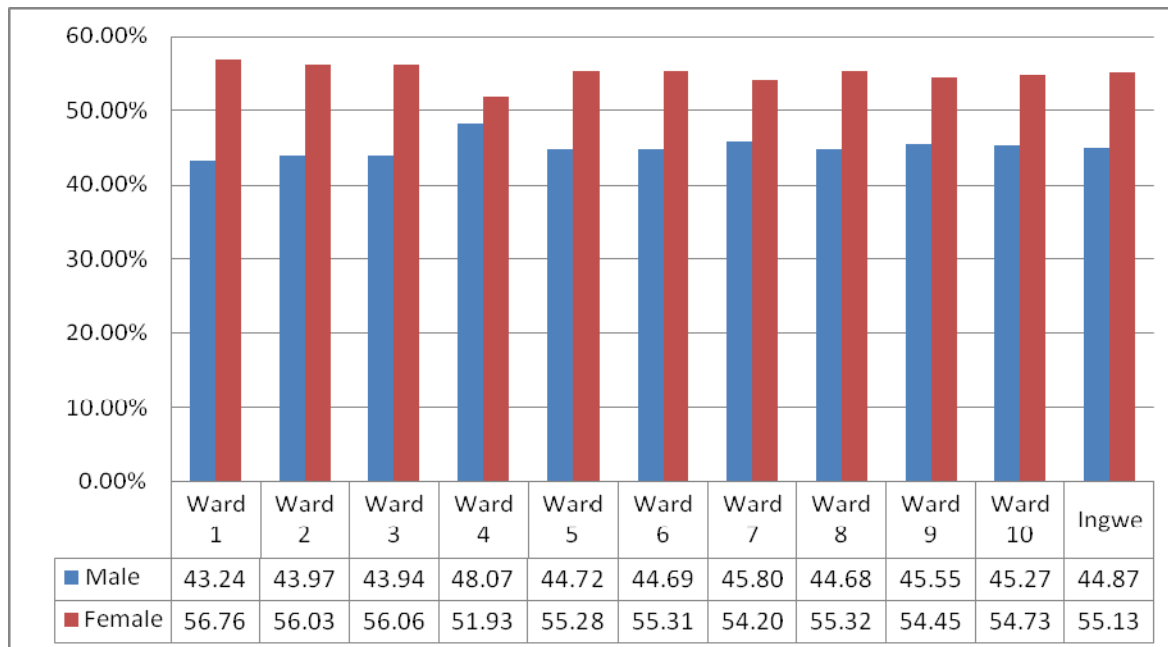


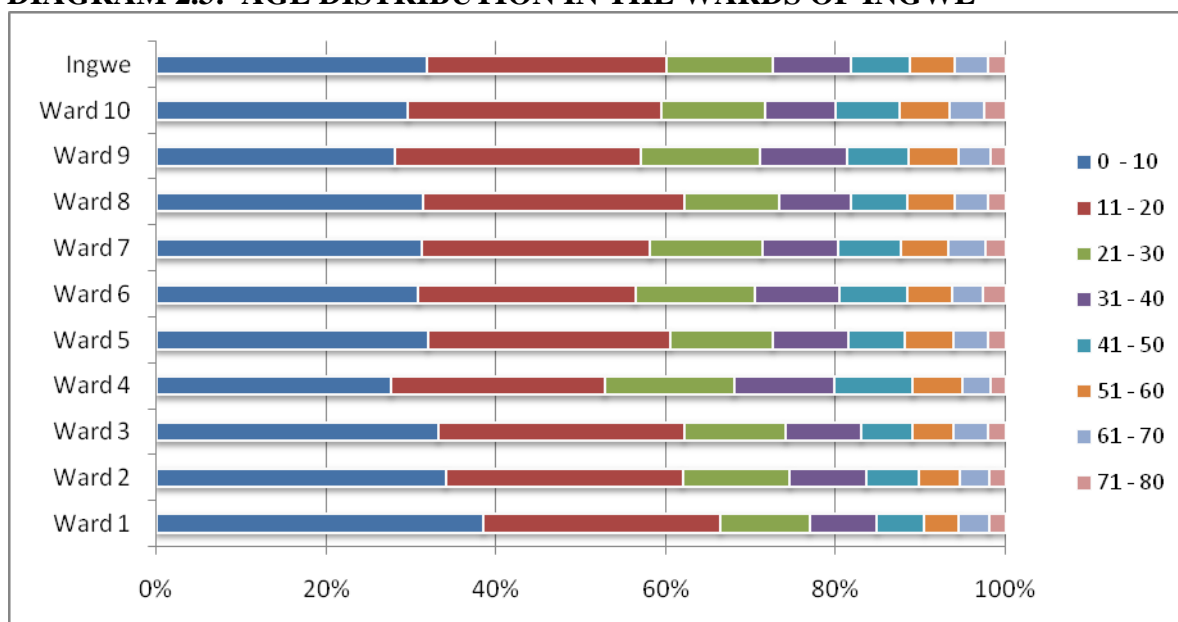
Diagram 2.2 below reflects the gender distribution in the Wards of Ingwe and again strengthens calls for planning interventions focussing on addressing the needs of the female population, this group representing 55% of the total population.

DIAGRAM 2.2: GENDER DISTRIBUTION IN THE WARDS OF INGWE



From Diagram 2.3 below, reflecting the age distribution of the people in the various wards of Ingwe, it is noted that in 2001 60% of the population of Ingwe fell in the zero to twenty year age category, thus suggesting an extremely young population.

DIAGRAM 2.3: AGE DISTRIBUTION IN THE WARDS OF INGWE



Performance information

Performance Management System

The intentions of the various Regulations, guidelines and legislations, relating to Performance Management are to develop a Performance Management System (PMS) over time.

The will enable the Ingwe council to oversee, and management to deal with the performance of the municipality as a whole.

It includes the management of Departments, Units, Teams, Service providers as well as Individual Employees.

Performance Management is an integral part of Government's transformation strategy aimed at good governance and the improvement of service delivery quality as a means to confront the legacy of poverty and underdevelopment in Ingwe's area of jurisdiction. The Municipal Systems Act (Act No. 32 of 2000) requires that all Municipalities develop and implement Performance Management Systems.

The preparation for the PMS was initially delayed due to the lack of funding and the vacancy in staff positions. The lack of the PMS was also highlighted to Management during the course of the annual audit by the Auditor General. As explained by the municipal manager earlier, the municipality was in a state of disarray and corrective action has now set the municipality in the correct direction. Action is being taken on the PMS is being developed and will be implemented soon.

Human resource and other organizational management

- Organizational structure (**See annexure:** Organogram)
- Total positions : 59
No. Of Staff: 44
Current Vacancies: 15
- The following are a list of the pension and medical aid funds that are available to the municipal members and staff:
 - Councillors Pension Fund
 - KZN Municipal Joint Fund
 - Bonitus Medical Aid
 - LAHealth Medical Aid
 - KeyHealth Medical Aid

At Year End there were no outstanding money that was owed to the municipality by staff members

MUNICIPAL SERVICES

Free basic services

In the recent past, and at present, free basic services, paid for by the municipality, are limited to the following:

	Annual cost R	Service provider	No. of households benefiting and extent of FBS
Free basic electricity	240 000	Eskom	800 (50 kwh per month)
Subsidized household refuse removal	8 400	Ingwe Municipality	20 low-cost housing units. One refuse removal per week.

Summary of services provided by the municipality

Function:	Executive and Council	
Sub Function:	N/A	

Reporting Level	Detail	Total	
Overview:	Includes all activities relating to the executive and council function of the municipality including costs associated with mayoral, councillor and committee expenses and governance.		
Description of the Activity:	<p>The function of executive and council within the municipality is administered as follows and includes:</p> <p>The Executive Committee function is to ensure day to day proper functioning of the Municipality. It is composed of 3 full time members and one part time member. Its main function is to recommendation to full council.</p> <p>The main functions of the Council is to take decisions on strategic matters such as IDP, PMS, Budget, Annual report and remuneration. It is the main decision making body of the municipality</p>		
Analysis of the Function:	Statistical information:		
	1 Councillor detail:		
	Total number of Councillors	20	
	Number of Councillors on Executive Committee	4	
	2 Ward detail:		
	Total number of Wards	10	
	Number of Ward Meetings	14	
3	Number and type of Council and Committee meetings:	6	
	<i>Council Meetings</i>	7	
	Executive Committee Meetings	11	

Function:	Planning and Development	
Sub Function:	Economic Development	

Reporting Level	Detail	Total	
Overview:	<p>The economic analysis indicates that Sisonke ranks as the second-smallest district economy in the province in terms of GDP, although it ranks fifth out of ten in terms of GDP per capita, with a year-on-year average growth of 4% over the past five years 2000 - 2005. The Sisonke district economy is, like <u>the Ingwe Local Municipality, overly reliant on Agriculture</u> which accounts for 38% of GDP. While Agriculture has had good growth in GDP terms (40% between 2000 and 2005), it has simultaneously shed 22% of its jobs between 2000 and 2005. There is thus a major imperative to diversify the municipal economy. The trade and tourism sector has shown both good growth and job creation performance and requires further support from government through interventions to create an enabling environment for a competitive tourism sector. For example, the KwaSani local economy has shown a significant growth of 40% employment in the Wholesale, retail, catering & accommodation sector between 1995 and 2005, and a significant component of this is attributable directly to tourism. If Ingwe is able to emulate this, then growth in jobs will result.</p>		
Description of the Activity:	<p>The Ingwe Farmers Association represents all commercial farmers in the Municipality. They are mainly engaged in the Livestock Dairy Industry with limited crop production mainly potatoes. There is also substantial Timber farming in the Municipality currently owned by Mondi SAPPI & Hans Merensky Regular meetings are held between the Ingwe Farmers Association & the EXCO of the Municipality.</p> <p>Ingwe Municipality has pro actively provided leadership in the Tourism destination development of the region</p>		

	<p>Ingwe Municipality has shows significant leadership in Tourism development in 2008</p> <ol style="list-style-type: none"> 1. The Establishment of the Southern KwaZulu Natal Birding Route, including the Sisonke Birding Route and Marutswa Forest Boardwalk in Bulwer 2. Sisonke Stimela contract awarded 3. Centocow Accommodation and Eatery contract awarded 4. Centocow CD completed 5. Gqumeni Forest Intervention Plan 6. Bhengu gallery Development Plan <p>To establish Ingwe Municipality as a preferred destination for both foreign and local tourists around the "brands" of Mission Tourism , Rail Tourism and Avi Tourism.</p> <p>The key issues for 2007/08 are: Planning and leveraging funding.</p>		
Analysis of the Function:			
1	<p>Number and cost to employer of all economic development personnel:</p> <ul style="list-style-type: none"> - Professional (Directors / Managers) - Non-professional (Clerical / Administrative) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<p>1 0 0 0</p>	<p><i>R (000s)</i></p> <p>300,000 - - -</p>
2	<p>Detail and cost of incentives for business investment:</p> <p>The Ingwe Bio fuel Project is a collaborative initiative involving the Ingwe Local Municipality, Provincial Government (Department of Agriculture and Environment Affairs), Private Sector (Mondi Shanduka and HM Timbers), and local community entrepreneurs. The Project currently involves the development of a business plan for the establishment and operation of a solid bio fuel production enterprise near Donnybrook, using forest residues and sawmill waste from in and around Ingwe Municipality. Gijima KZN has provided the funding for the project together with contributions from the Municipality and Private Sector Partners.</p>		<p><i>R500, 000</i></p> <p>-</p>
3	<p>Detail and cost of other urban renewal strategies:</p> <p><i>none</i></p>		-

4	<p>Type and number of grants and subsidies received:</p> <ul style="list-style-type: none"> • The balance on the Amakhuze biodiversity grant is totally earmarked for the creation of the Gerard Bhengu art gallery at Centocow. Province added a further R500 000 during the year for this project. R136 400 was spent during the year on the development of a CD on the history of the area as part of the tourism drive. Promotion of Mission Tourism 		
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Socio Economic Development	The Integrated Development Planning of the Ingwe Municipality is based on performance in five Key Performance Areas: A successful bio-fule CAP was undertaken an EIA however a private partner was not able to be attracted to invest in the plant. Mention has been made of the leadership role undertaken by Ingwe Municipality in Tourism development.		

Function:	Finance and Admin		
Sub Function:	Finance		
Reporting Level	Detail	Total	
Overview:	Includes all activities relating to the finance function of the municipality.		
Description of the Activity:	<p>The function of finance within the municipality is administered as follows and includes:</p> <p>Revenue billing and collection, supply chain management, procurement and payments, payroll maintenance, budgeting, budgetary control, treasury management, preparation of annual financial statements and general financial reporting.</p> <p>The strategic objectives of this function are to: To support the delivery of services, in all their various forms, by the municipality in an ongoing and financially sustainable manner.</p> <p>The key issues for 2007/08 are: A positive movement from an unstable political and administrative position in the first half of the financial year to a stable department that is getting it's duties up to date and is becoming increasingly effective in meeting it's strategic objectives.</p>		
Analysis of the Function:	Adequate financial information and analysis is available in the accompanying annual financial statements accounting officer's report, audit report and response to the audit report. The municipality has no external borrowings. It is technically and factually solvent and is able to meet it's obligations at all times. It operates within it's budget framework.		

Function:	Finance and Administration
Sub Function:	Human Resources

Reporting Level	Detail	Total	
Overview:	Organogram was rationalised with the assistance of Local Government in April 2008. It was then populated by the appointment of the IPD Manager, CFO, Municipal Manager and the Corporate Services and Social Development Manager, and also the creation of the SCM unit.		
Description of the Activity:	<p>The administration of this function is within the Corporate Services Department and is administered by the Human Resource Officer. All post are advertised publicly and the procurement is done according to Human Resource Policy.</p> <p>The strategic objectives of this function are to: We ensure that we recruit, capacitate and retain skilled and experience employees</p> <p>The key issues for 2007/08 are: To fill all the vacancies of the organogram</p>		
Analysis of the Function:	<p><i>Statistical information:</i></p> <p>1 Number and cost to employer of all municipal staff employed:</p> <ul style="list-style-type: none"> - Professional (Managerial/Specialist) - Field (Supervisory/Foremen) - Office (Clerical/Administrative) - Non-professional (blue collar, outside workforce) - Contract Staff <p>Note: total number to be calculated on full-time equivalent (FTE) basis, providing detail of race and gender according to the breakdown described above. Total cost to include total salary package</p>	<p><i>R (000s)</i></p> <p>4 1 528,000</p> <p>3 328,000</p> <p>10 1 761,000</p> <p>13 1 428,000</p> <p>12 103 100</p> <p>42 5,148,100</p>	

Function:	Electricity
Sub Function:	Electricity Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity		
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <p>The strategic objectives of this function are to:</p> <p><i>Provision of prepaid electricity to 562 consumers . DME funded the project and Dihlase Engineers were the professional service providers contracted by the Municipality with supervision by Eskom.</i></p> <p>The key issues for 2007/08 are:</p> <ul style="list-style-type: none"> - to provide prepaid electricity to 562 consumers. - to spend all the funding allocated by DME on the 07/08 financial year. 	562	3 752,260
Analysis of the Function:	<p><i>Statistical information:</i></p> <p>1 Number and cost to employer of all personnel associated with the electricity distribution function:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: Municipality employed Contractor who then employ staff to fill the above mentioned job descriptions.</p>	<p>1</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>R (000s)</p> <p>R 466,508</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>3 101,807</p>
2	562 households have access to prepaid electricity.	562.00	5,519

Reporting Level	Detail	Total	Cost
	<ul style="list-style-type: none"> - Electrified areas - Municipal - Eskom 	562 0	<i>R (000s)</i> 3 752,260
	<ul style="list-style-type: none"> - Alternate energy source 1000 beneficiaries received gel stoves and lamps (alternative energy)	1000	1 000,000
3	Number and total value of electrification projects planned and current: <ul style="list-style-type: none"> - Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget	3 28	14 570,872 -
4	Type and number of grants and subsidies received:		11 090,000
	- DME- Masamini Electrification Phase 1		5 000,000
	- DME- Masamini, Sandanezwe Electrification Phase 2		6 090,000
5	DME-Alternative Energy		1 000,000

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	The function of provision of housing within the municipality is administered as follows and includes: <i>Procurement of Implementing Agent using Ingwe Supply Chain management Preferential procurement processes, Plan design; project manage and procure the services of contractors/ sub contractors. Upon completion of each stages of the house both DoH, IA and ILM conducts inspections, Once the housing unit are complete they are handed over to the beneficiaries who then sign the happy later once they are happy with the house.</i>		
	The strategic objectives of this function are to: <i>To provide basic housing Infrastructure units that are safe, secure and do not posse threat to community when weather is bluster.</i>		
	The key issues for 2007/08 are: <i>To develop 541 housing infrastructure units in Tarrs Valley insitu up grade and Bulwer township</i>		
Analysis of the Function:	<i>Statistical information :</i>		
1	Number and cost of all personnel associated with provision of municipal housing: - Professional (Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Contract (Sub contractor was employed to provide labour therefore the total number of workforce) Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Professional includes project design, Field includes all tradespersons.	2 2 1	R (000s) 74,048 269,317 31,540 400,621
2	Number and total value of housing projects planned and current:		R (000s)

	<ul style="list-style-type: none"> - Current (financial year after year reported on) - Planned (future years) (the number of units is not known and the budget) <p>Note: provide total project and project value as per initial or revised budget</p>	197 7 projects	4,656
3	<p>Total type, number and value of housing provided:</p> <ul style="list-style-type: none"> - <i>Insitu up Grade(Tarrs Valley)</i> - <i>Town ship(Bulwer Housing)</i> 	145 118	<i>R (000s)</i> 3 125,670 3 452,515
4	<p>Community facilities built during the year:</p> <ul style="list-style-type: none"> - Halls: Ward 7 Sandanezwe Hall; Ward 9 Bulwer Hall and Ward 10 Bhidla Hall - Halls still under construction : Ward 2 Ngwagwane hall and Wards 10 Mqulela hall. - Library : Ward 9 Bulwer Libarary - Admin building: Ward 1 Skoffil - Public toilets: Ward 4 Creighton 		
5	<p>Type of habitat breakdown:</p> <ul style="list-style-type: none"> - number of people living in a house or brick structure/Households - number of people living in a traditional dwelling/Households - number of people living in a flat in a block of flats/Households - number of people living in a town/Households - number of people living in an informal dwelling or shack/Households 	4233 17 000 0 350 229	
	Detail	0	

Function:	Road Transport
Sub Function:	Roads

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include: <i>is to apply for the fund, appoint the consultants to assist with bid documents and designs, allocate the budget of the project, advertise the bid and appoint the constructor</i></p> <p>The strategic objectives of this function are to: To construct access roads to help community to reach their facilities ie clinics The key issues for 2007/08 are: To construct roads(4) and to spend allocated budget in time</p>		
Analysis of the Function:	<p><i>statistical information :</i></p> <p>1 Number and cost to employer of all personnel associated with road maintenance and construction: - Professional (Engineers/Consultants) - Field (Supervisors/Foremen)</p>	<p>4 0</p>	<p>R (000s) 594,186 -</p>
2	<p>Total number, kilometres and total value of road projects planned and current: - New bituminised (number) - Existing re-tarred (number) - New gravel (number) - Existing re-sheeted (number)</p> <p>Note: if other types of road projects, please provide details</p>	<p>0 0 4 0</p>	<p>- - 3 893,307 -</p>
3	Type and number of grants and subsidies received: <i>Grant</i>	4	4 487,493

4	<p>Roads built in the year:</p> <ul style="list-style-type: none"> - Ward 2 Bazini Road phase 1 - Ward 5 Junction Access Road - Ward 8 Memela Access Road - Ward 9 Ntokozweni Access Road Phase 1 & 2 as well as Shepstone Road 		
---	---	--	--

Function:	Waste Management
Sub Function:	Solid Waste

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <p><i>Removal of solid waste in Creighton, Bulwer and Donnybrook Towns and Households within towns. Construction of Temporary Dumpsites.</i></p> <p>The strategic objectives of this function are to:</p> <p>Solid Waste removal</p> <p>The key issues for 2007/08 are:</p> <ul style="list-style-type: none"> - Solid Waste removal - Dump site Construction 		
Analysis of the Function:	<p><i>Statistical information:</i></p> <p>1 Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> - Field (Supervisors/Foremen) - Non-professional (blue collar, outside workforce) - Temporary - Contract 	<p>3</p> <p>11</p> <p>6</p> <p>-</p>	<p>R (000s)</p> <p>174,000</p> <p>108,800</p> <p>-</p>
2	<p>Total and projected tonnage of all refuse disposed:</p> <ul style="list-style-type: none"> - Domestic/Commercial - Garden 	<p>25</p> <p>190</p>	<p>213 ,59</p> <p>53, 93</p>
3	<p>Anticipated expansion of refuse removal service: Preparation of an Integrated Waste Management Plan in 09/10 Financial year</p> <p>Legal Dump site construction in 09/10 financial year</p>		<p>R350 000</p> <p>R2 000 000</p>

Function:	Public Safety		
Sub Function:	Police (Traffic)		
Reporting Level	Detail	Total	
Overview:	Includes police force and traffic (and parking) control		
Description of the Activity:	<p>The policing and traffic control functions of the municipality are administered as follows and include:</p> <p><i>Provision of Support to other governmental law enforcement departments to improve prosecution of offenders</i></p> <p>To improve safety of Ingwe roads through implementation of effective traffic monitoring, management system and law enforcement</p>		
Analysis of the Function:	<i>Statistical information:</i>		
1	Number and cost to employer of all personnel associated with policing and traffic control: - Field (Detectives/Supervisors) - Office (Clerical/Administration) - Non-professional (visible police officers on the street) - Volunteer - Temporary - Contract	1 1 1 0 0 0	<i>R (000s)</i> R 289,044 R 222,248 R 11,340 - - -
2	Total number of call-outs attended: - Emergency call-outs - Standard call-outs	180 72	
3	Average response time to call-outs: - Emergency call-outs - Standard call-outs	45 Minutes 0	
4	Total number of targeted violations eg: traffic offences:	1 800	
5	Total number and type of emergencies leading to a loss of life or disaster:	5	
6	Type and number of grants and subsidies received:	Nil	<i>R (000s)</i> Nil
7	Total operating cost of police and traffic function		<i>R (000s)</i>

Concluding remarks by the CFO

A comprehensive overview of the financial position of the municipality as at 30 June 2008 is contained in the Accounting Officer's report which forms part of the audited financial statements. These, in turn, are bound into this annual report.

Ingwe is a "medium capacity" municipality.

The municipality successfully converted to the GAMAP/GRAP accounting standards as on 1 July 2006 and we now budget and report in terms of these standards.

For the past three financial years, up to and including the 2007/08 financial year, the processes for preparation of the IDP and budgets, and for preparation of the annual financial statements, could best be described as "too little too late". Budgets were not particularly meaningful or focused. No service delivery and budget implementation plans were prepared or implemented. There was no performance management system in place. Audit opinions deteriorated from unqualified to qualified. VAT returns were not submitted resulting in a large build-up (some R8,0m) of uncollected input VAT (on capital projects) that were due to the municipality by SARS.

The level of paralysis in the municipality's operations resulting from the political discordance resulted in a failure to spend the many of the conditional grants received, including the MIG (municipal infrastructure grant). Over the past three financial years this resulted in a build-up of cash and investments in the statement of financial position and a failure to spend budgeted amounts. Thus service delivery suffered.

The political alignment with effect from about February 2008 and the resulting stabilization of the administration has meant that projects, especially capital projects, are now starting to be identified, prioritized and contractors appointed. Although this process has been gathering momentum since about April 2008 this increased spending was a little too late to have a meaningful impact in the 2007/08 financial statements. The improved spending of budgets / grants should start to show in the 2008/2009 and subsequent annual financial statements.

With effect from the 2007/08 mid-term budget review more co-ordination was achieved between the IDP, the politicians and management. For the first time a service delivery and budget implementation plan (SDBIP) was prepared during June 2008 for implementation on 1 July 2009. Processes have further improved in respect of the 2008/09 mid-term budget review which is now in progress (January 2009).

In respect of the 2009/10 three-year budget a legally-compliant IDP and budget preparation process plan was approved by the council on 19 November 2008. We will continue to comply with this requirement in future. This includes public consultation in all 10 wards which has already taken place during December 2008. This will result in a more accurate and meaningful IDP, budget, SDBIP and performance agreements with our senior managers who will be held accountable for the municipality's performance during the 2009/10 year and beyond. The quality and quantity of service delivery is definitely set to improve.

With respect to the 2007/08 annual financial statements we have significantly improved on our past performance in the following respects:

- We have restored our audit opinion on the accuracy of the 2007/08 financial statements to an "unqualified opinion". This certifies that the AFS fairly present the financial results for the 2007/08 financial year in all material respects.

- The financial statements were submitted on time (that is on 31 August 2008) for auditing by the office of the Auditor-General.
- The auditors queries and communications were promptly and properly attended to by staff and management during the audit. Thus no delays were experienced and the audit opinion was issued, on time, on 1 November 2008.
- A written response to the audit-report has already been prepared and is bound into this annual report.

The internal audit function is gradually getting underway and should start becoming a reality from the second half of the 2008/09 financial year. We now have a dedicated internal auditor who reports directly to the municipal manager.

Introduction of the municipal property rating act (MPRA) was somewhat delayed but a concerted effort was made during the 2007/08 financial year to expedite the process of selecting a competent contractor to prepare the valuation roll. The process of obtaining fresh aerial images and the land audit (register of properties) has already been completed and the certified valuation roll is set for delivery, on schedule, by the end of January 2009. This will then allow us to perform tariff modelling as part of the 2009/10 MTREF budgeting process. The first rates accounts will be received by property-owners with effect from 1 July 2009. An ongoing process of public participation has started and the first meeting with the Ingwe Farmers Association was held during November 2008. A draft rates policy has been advertised and has been distributed for public comment. It is also available in isiZulu and English and on our website, www.ingwemunicipality.co.za. The rates burden will be phased in over four years so as to ease the financial load on property-owners.

Our arrear input Vat claims (totalling some R8,0 million) are gradually being collected from SARS. By mid-January 2009 a total of R3,7 million of the R8,0 million has been collected. This process is continuing and our VAT affairs should be running smoothly well before 30 June 2009.

• **General roundup**

The political and administrative spheres have stabilized and the focus is now without doubt on proper integrated development planning, financial control, compliance with legislation, the implementation and spending of the budget and of course service delivery. Conditional grants that were not spent in the past were never appropriated for improper purposes and are thus cash-backed and available to support service delivery, going forward.

Five housing projects, totalling some R125 million rand, will become a reality over the next few years.

Recent positive events confirm that our past troubles are behind us and that we are steadily gaining momentum for an improved quality and quantity of service delivery in a much more efficient, economical and effective way.

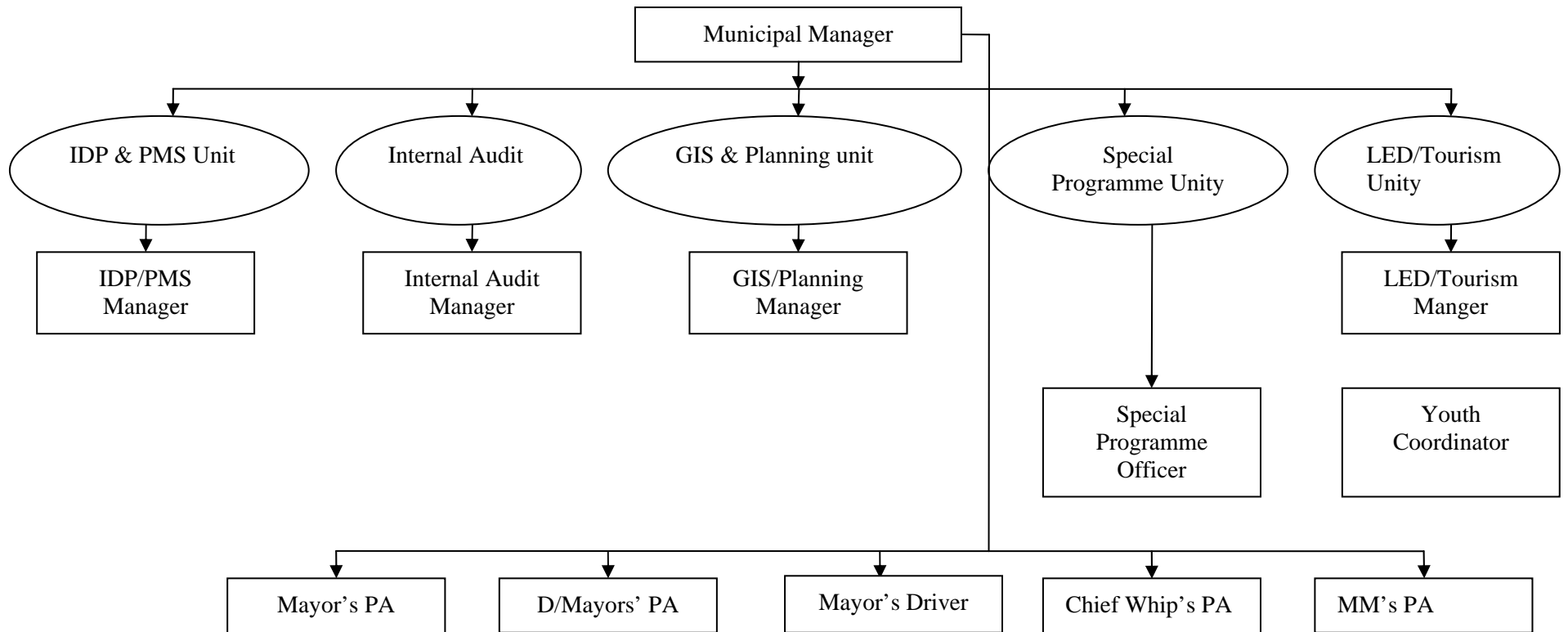
Regards

Mrs UP Mahlasela
Chief Financial Officer

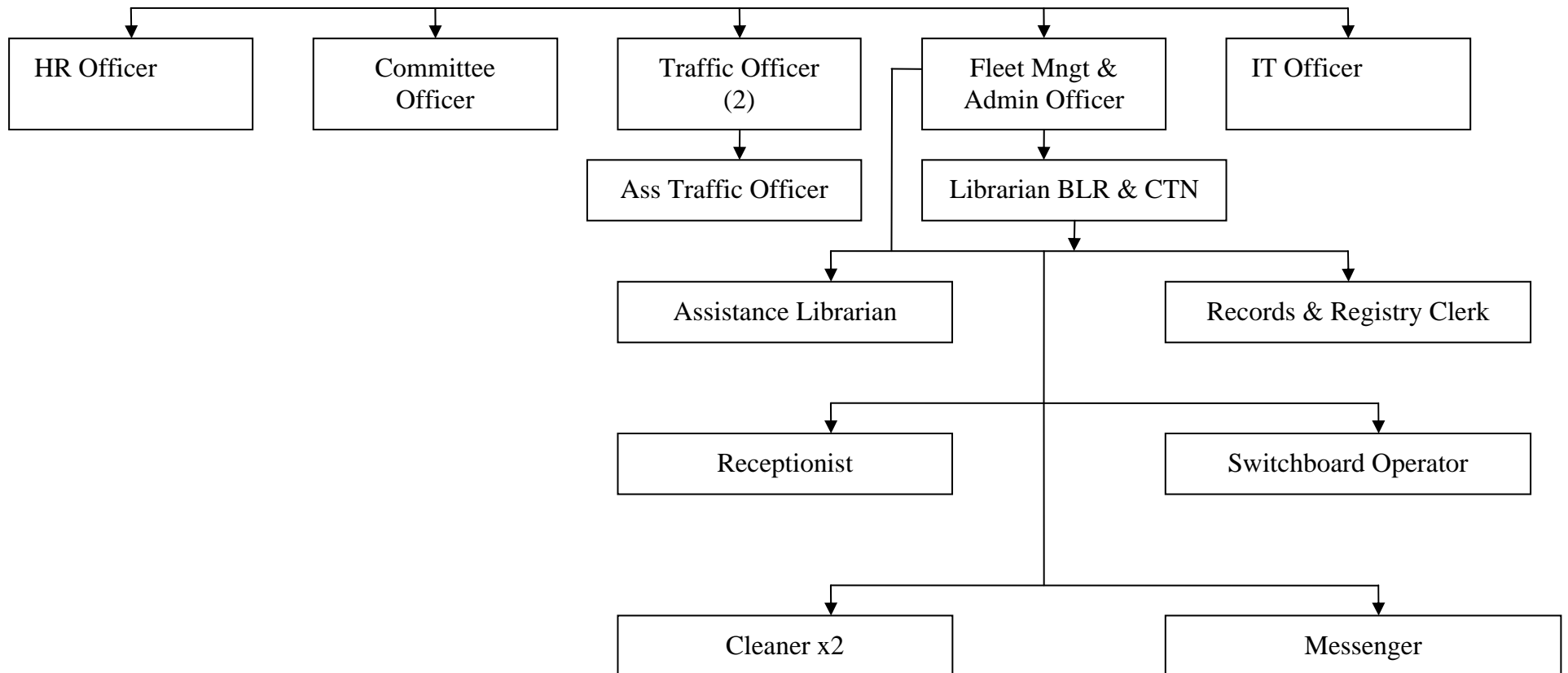
ANNEXURES

Annexure A : Organograms

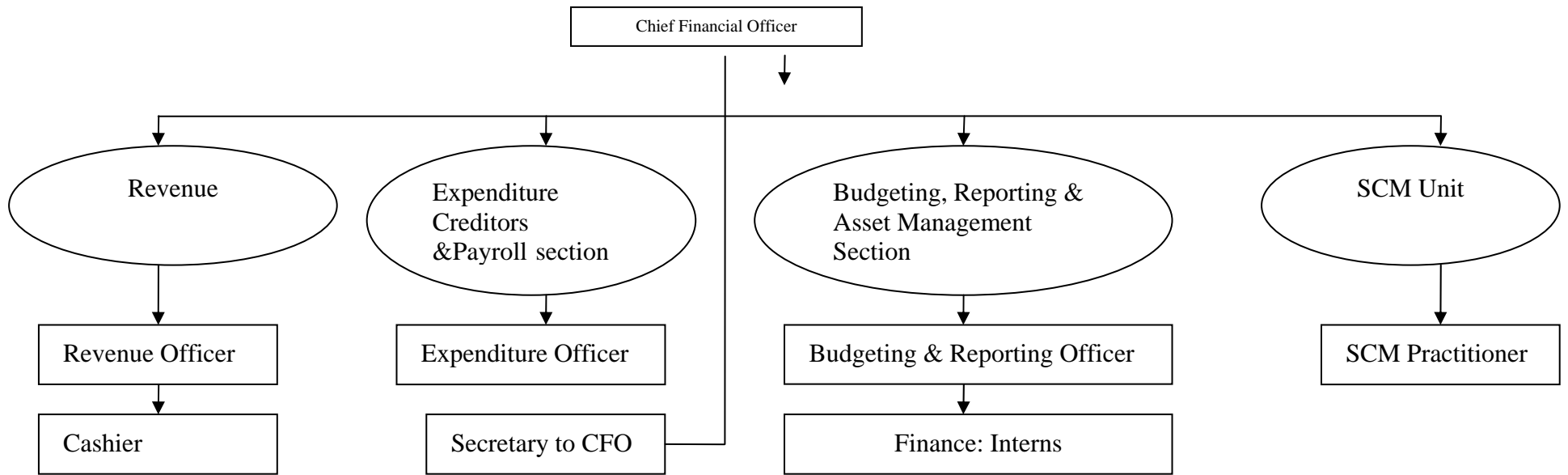
MUNICIPAL MANAGER



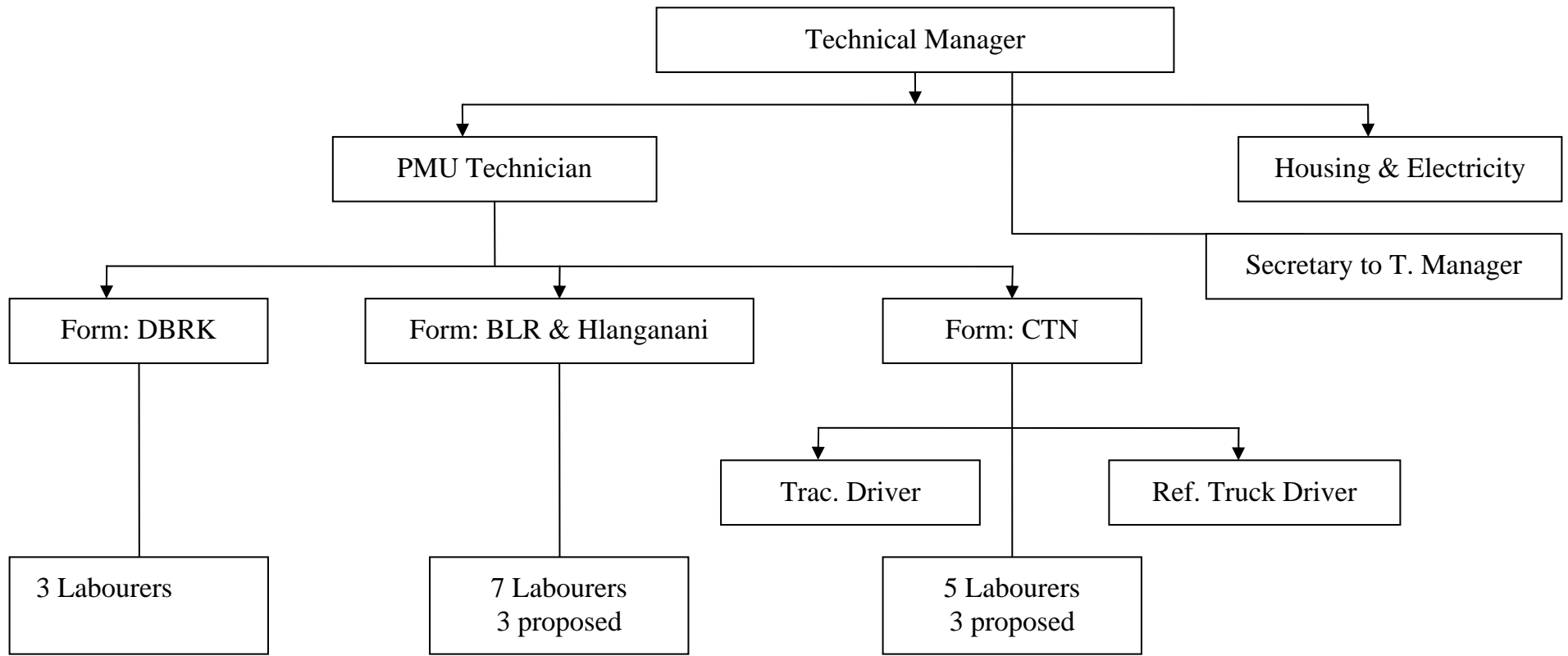
Corporate Service Department



Finance Department



Technical Department



REPORT OF THE AUDITOR-GENERAL TO KWAZULU-NATAL LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF INGWE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Ingwe municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 28.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act, 2007 (Act No. 1 of 2007) (DORA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Ingwe municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Ingwe Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and DORA.

Emphasis of matter

Without qualifying my audit opinion, I draw attention to the following matter:

Fruitless and wasteful expenditure

11. As disclosed in note 20.6 to the financial statements, fruitless and wasteful expenditure to the amount of R143 483 were paid to civil engineering consultants for a project that was later abandoned.

Amendments to the applicable basis of accounting

12. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the Ingwe Municipality in terms of *General Notice 522 of 2007* issued in *Government Gazette No. 30013 of 29 June 2007*.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act (MFMA)

13. The mayor did not submit a report to the council on the implementation of the budget and the financial state of the municipality as required by section 52(d) of the MFMA.
14. There is no budget preparation process in place as required by section 21(a) of the MFMA.
15. The Accounting Officer did not submit the budget statements of the state of the municipality's budget no later than 10 working days after the end of each month, to the mayor of the municipality, and the provincial treasury, as prescribed by section 71(1) to 71(5) of the MFMA.

Division of Revenue Act (DoRA)

16. The municipality did not prepare and submit a bi-monthly report for the transferring national officer in respect of programmes funded or partially funded by an allocation as required by section 11(5) of DORA.

Matters of governance

17. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit Committee		
• The municipality has an audit committee		✓
• The audit committee operates in accordance with written terms of reference.		✓
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		✓
Internal audit		
• The Municipality had an internal audit function in operation throughout the financial year.		✓

• The internal audit function operates in terms of an approved internal audit plan.		✓
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		✓
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	✓	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	✓	
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	✓	

Unaudited supplementary schedules

18. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget in accordance with GRAP1 *Presentation of Financial Statements*. The supplementary budget information set out on pages [x] to [x] does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion on them.
19. The supplementary information set out on pages [X] to [X] does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not give an opinion thereon.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

20. I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

21. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

22. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

23. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

Audit findings (performance information)

Non-compliance with regulatory requirements

24. The accounting officer and managers directly reporting to the accounting officer have not signed annual performance agreements as required by section 57(1) of the MSA.

25. There was no remuneration attached to the posts as required by section 66 (c) of the MSA.

26. The municipality did not adopt a performance management system as required by Section 8 of GNR.796 of 24 August 2001: Local Government: Municipal Planning and Performance Management Regulations and section 41 of the MSA.

27. The IDP does not include a financial plan, which must include a budget projection for at least the next three year as required by section 26 (h) of the MSA.

28. The municipality did not submit an annual performance report for the year ended 30 June 2008 as required by section 46 of the MSA and could therefore not be audited at date of my report.

APPRECIATION

31. The assistance rendered by the staff of the Ingwe Municipality during the audit is sincerely appreciated.

Auditor-General

Pietermaritzburg

28 November 2008



A U D I T O R - G E N E R A L

Office of the Auditor-General
Private Bag X9034
Pietermaritzburg
3200

13 January 2009

By email to brunom@agsa.co.za

Dear Ms Bruno,

RESPONSE TO THE 2007/08 AUDIT REPORT

Please find below our responses to the matters raised in the 2007/08 audit report and which require a response. The paragraph numbers used agree with the paragraph numbers in your report.

11. Fruitless and wasteful expenditure

This expenditure was for civil engineering design fees in respect of the Magoso access road which project was aborted, ostensibly for political reasons. At this stage this road is not on any priority schedule and will not be undertaken in the foreseeable future.

The municipality will proceed in terms of section 32 of the MFMA, as follows:

- The matter will be investigated by the executive committee which will make a recommendation to the council regarding recovery or a write-off in terms of subsection (2).
- The matter will be reported to the mayor and MEC for local government in terms of subsection (4).

With the political alignment and stabilization of the administration which came into effect from about April 2008 onwards it is highly unlikely that an issue like this one will arise again.

12. No quarterly budgetary and financial reports to the council (section 52 (d) of the MFMA)

This is acknowledged and was partly due to the shortage of staff and the disruptions at political and administrative levels during the first nine months of the financial year. However, in mitigation, it is mentioned that an adjustment budget for 2007/08 was prepared during three intensive, special Exco sittings during March 2008 and this was approved by a meeting of full council on 31 March 2008. In addition, the 2007/08 audited financial statements were presented to council on 11 December 2008. These were both occasions where the council was fully informed on the implementation of the budget and on the financial state of affairs. With the appointment of a new CFO on 5 January 2009 these reporting requirements will receive urgent attention.

13. No budget preparation process (section 21 (a) of the MFMA)

This is acknowledged and was partly due to the shortage of staff and the disruptions at political and administrative levels during the first nine months of the financial year. It is mentioned that an IDP and budget preparation process plan has been prepared for the 2009/10 MTREF budget and this was adopted by full council on 19 November 2008. We will continue to comply with this requirement in future.

14. No monthly budget statements submitted to the mayor and provincial treasury (section 71 (1) to (5) of the MFMA)

This is acknowledged. The comments in paragraph 12 above apply equally here.

15. DORA reports to transferring officers (section 11 (5) of the DORA)

This is acknowledged. The quality and quantity of our DORA reports on conditional grants from transferring officers has been receiving attention and is steadily improving.

16. No audit committee or internal audit function

Acknowledged. Our Mr West was designated as the internal auditor, effective from 1 July 2008, leaving the budget and treasury office on a phased basis. However the recent resignation of the CFO, Ms NRP Khumalo, has meant that Mr West has had to act as the CFO until a new CFO was appointed. Unfortunately the internal audit function has not been operational under these unforeseen circumstances. We have in the meantime obtained the consent of the Sisonke DM to share their audit committee.

A replacement CFO was appointed on 5 January 2009 and Mr West will now take up the auditing function on a phasing-in basis from that date.

16. 2007/08 annual report not available for audit

Management has been mobilized to prepare this report for tabling before full council on 29 January 2009. In future years the preparation of this report will be brought forward to allow for scrutiny by the Auditor-General's office prior to the issue of his report.

16. Post-audit changes to the 2007/08 financial statements

These changes were in connection with the following accounting aspects:

- Provision of R1 200 000 for doubtful VAT recovery from SARS.
- Allowing for the estimated contingency fee of the VAT recovery consultants.
- The write-off of interest and penalties on debtors accounts so as to facilitate future collection processes.

The need for these changes emanated from the Acting CFO and was discussed and agreed with the Auditor-General's office at the commencement of the audit. No inconvenience or delays were thus caused.

16 Positive comments

The "yes" ticks in paragraph 16 denote positive audit findings and do not require a response here except to acknowledge them with gratitude.

23 to 27. **No performance management system in place**

This is acknowledged. A PMS is being put in place during the 2008/09 financial year. An IDP manager was appointed wef 1 October 2008 as part of this process.

Appreciation

The courteous and helpful approach of all your audit staff during the audit was much appreciated.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'GM Sineke', written over a horizontal line.

GM Sineke
Municipal Manager



EXECUTIVE COMMITTEE: (L – R) D.R. NGCAMU, N.P. LUZULANE(MAYOR), M.W. MTOLO(DEPUTY MAYOR), S.V. ZULU(CHIEF WHIP)



COUNCIL MEMBERS (back row, L-R): S.E. Dlamini, M.C. Nzimande, W.B. Dlamini, P.Z. Duma, D.P. Zaca, K.S. Madlala, M.A. Dlamini, B.C. Mncwabe **(middle row, L-R):** M.F. Makhanya, B.E. Ngcobo, H.A. Ngcobo, M.J. Mthembu, D.R. Ngcamu, B.C. Mncwabe **(front row, L-R):** M.A. Malunga, E.R.S. Sikhakhane(Speaker), N.P. Luzulane(Mayor) M.W. Mtolo(Deputy Mayor) & B.L. Nzimande



MUNICIPAL MANAGER: Mr G.M. SINEKE